

PUBLIC UTILITY DISTRICT NO. 1 OF FERRY COUNTY
REGULAR MEETING OF COMMISSIONERS
March 20, 2006

The regular meeting of the Board of Commissioners was called to order by President Kathy Ciais at 9:08 a.m. Present were Commissioners Ciais, Gregg Caudell and Chris Kroupa, Manager Roberta Weller, Attorney Steve Graham, General Foreman Randy Sage, Auditor Jennine Groth, and Secretary/Treasurer Jayne Jurgensen. Conservation Director John Friederichs joined the meeting later in the day.

Visitors: Carroll Sharp

All stood for the Flag Salute.

The minutes of the February 21, 2006 meeting were approved by a motion made by Commissioner Kroupa, seconded by Commissioner Ciais and unanimously carried.

The meeting was turned to Mr. Sharp who distributed informational packets to the Board. He shared information regarding a 2004 incident in which he assisted a neighbor in determining the cause of their power outage. Mr. Sharp explained the process he used in his repairs, i.e., determining that the problem was in the meter, cutting the Morlock meter ring from the meter, removing the meter from the meter base, removing the meter boots, and finally reinserting the meter into the base without the boots. Mr. Sharp stressed that his neighbors had been told by the P.U.D. that their service was connected and that they had power to the service. Mr. Sharp explained that he had recently received a copy of the Prosecuting Attorney's Declination to Prosecute for and had then obtained copies of the Sheriff's Report filed by the Utility. He proceeded to point out inaccuracies in the statements attached to the Report. In closing, Mr. Sharp stated that he felt that the Board should direct Manager Weller and General Foreman Sage to make an apology to him and if that was not provided he would pursue an investigation of the personal use of P.U.D. vehicles. Mr. Sharp exited the meeting at 9:23 a.m. without allowing the Board an opportunity to respond to his information.

The Board went into Executive Session at 9:25 a.m. for approximately thirty minutes to discuss potential litigation. The meeting returned to Regular Session at 10:30 a.m. Commissioner Kroupa made a motion to table any decisions regarding Mr. Sharp's visit until the next meeting. The motion was seconded by Commissioner Caudell and unanimously approved. Commissioner Caudell stated that the Utility management was following the direction of the Board and ultimately it is the Board's responsibility to handle any repercussions. Commissioner Ciais requested that all old records of a similar nature be provided for review.

Reports:

The General Foreman's Report was presented by Randy Sage:

1. Pending decisions on the Kinross project, the crew has completed moving the wire up to a point and has been taken off this project.
2. The crew is concentrating on pole replacements in Republic and will then move south along Highway 21.
3. Have had no line extensions during the month.
4. The County permit has been approved for the high cost line extension along the San Poil River Road. Manager Weller and General Foreman Sage met with the Ferry County Commissioners regarding this matter. This job is slated to begin after April 1 and the start date is dependent on soil conditions. The County is to be notified of the start date within 48-hours of said date so that they can make arrangements for their inspector. This cost is to be borne by the Utility. Concern was again expressed regarding the County Engineer's ability to develop and enforce policies without the review or approval of the County Commissioners. Each application for installation in public rights-of-way will be disapproved by the County Engineer and then taken to the County Commissioners for their review. The County may also require an inspector be present on each job.
5. Continuing to work on the radio system. Have received eighteen new radios and they are now being installed in the vehicles. The lease with the Bureau of Reclamation for the Jones Bay site has been finalized, the radio equipment has been received and the work will be completed as soon as it can be scheduled by Day Wireless. Day Wireless has requested, and has received, an extension of time to complete both the Jones Bay and Franson projects. The Utility tower on Franson Peak will house the Sheriff's Office, Homeland Security and the EMS.
6. Basin Tree Service is schedule to begin work in the Keller area on April 15.
7. Presently working with the Tribes on the application of chemicals on the Reservation. The Tribes have asked that a different type of herbicide be used and we are in opposition to their request. A map has been provided to the Tribes identifying the sites for the various types of herbicide application.
8. The new brush cutter/sprayer position was discussed. The advertisement closes on March 23. A used spray unit has been purchased from Basin Tree Service and it is necessary to purchase one backpack unit. To date, no herbicides have been purchased and storage solutions were discussed.

Mr. Sage was thanked for his report and he exited the meeting at 10:58 a.m.

Conservation Director John Friederichs joined the meeting at 10:58 a.m. for the purpose of presenting the Conservation Report:

1. The proposed Ferry County Telecom Infrastructure Cost Matrix for 2006 was presented and reviewed.
2. Attended the Harvesting Clean Energy Seminar in Spokane on February 27 and 28. The primary interest now is in the production of Methanol as it is critical to the production of bio-based diesel

fuel. Work is still underway on the proposed plant in Republic and start-up funding is being researched. The first step is to identify funds to draw up the engineering plans and production process prior to construction. The next requirement is to find an investor or public agency to construct and operate the facility. The facility will need to be in place within twelve to eighteen months in order to succeed. The facility will employ between five and ten people and Republic and Forks are still being considered as pilot sites.

3. Attended the B.P.A. Post 2006 Conservation class held in Portland February 28 through March 2. It will be a challenge to design and implement an acceptable program within the guidelines of the current program as there will be less money available and more work expected. If the target is not met the funding must be returned to B.P.A. The best opportunity may be in low-income weatherization. Several larger utilities will implement the program immediately to test the guidelines, therefore, the final version of the program will be available in a few months. We are to expect 2007 funding to be comparable to that of 2006. Commissioner Caudell interjected that he recently attended a presentation regarding B.P.A.'s proposed Regional Review. Comments are being accepted on this proposal and this may be an opportunity to express opinions on the conservation program.
 4. The Dellwo solar installation has been completed and the customer is very pleased. A picture of the installation is now on the USDA website.
 5. Information is still unavailable on the USDA website regarding additional funding for the high cost program.
 6. There is the possibility that two additional solar installations will be completed in the near future.
 7. Grant requirements of the JDF CERB Grant were discussed at length.
- Mr. Friederichs was thanked for his time and he exited the meeting at 11:55 a.m.

The Attorney's Report was presented by Attorney Steve Graham:

1. There has been no action regarding the WISHA appeal. The first mediation has been scheduled for April 3 with Manager Weller and Attorney Graham in attendance.
2. Advised the Board that it is acceptable for any individual to attend a Board meeting and either tape or video record the proceedings. The individuals location during the meeting may be restricted to a specific area in the room.
3. Questioned whether the Board would approve providing the Okanogan County Prosecuting Attorney with information regarding the meeting held at the Wauconda Hall. This action was recommended as the gentleman's name was mentioned in the meeting. The Board was in concurrence that Attorney Graham could provide a copy of the minutes of the meeting to the Okanogan County Prosecuting Attorney.
4. Has not been contacted by Okanogan County P.U.D.'s Attorney regarding the Kinross mine project. Manager Weller reported that Mr. Berrie stated in his latest email that he did not want the attorneys discussing the matter as this would not be cost effective. He further stated that his utility was not interested in a law suit with Ferry, that they just wanted to help Ferry be whole by receiving as much revenue as if we were selling the power and not just wheeling the power. They are also interested in helping with redundancy on the lines and providing fiber. Mr. Berrie also stated that they were interested in establishing a service territory and would be providing a draft of their proposed map. Manager Weller reminded the Board that this utility previously served the Chesaw area.

Commissioner Caudell reported that Senate Sub House Bill 3713 is now before the Governor and if signed, will allow local or governing bodies to support ballot positions. Attorney Graham urged providing information but not taking a position on issues.

The meeting recessed at 12:10 p.m. for lunch reconvening at 1:30 p.m. with Attorney Graham not returning.

Commissioners Reports:

Commissioner Kroupa:

1. Attended the meeting at the Wauconda Hall.
2. Attended the Kinross Mine meeting at the Eagle Cliff Grange. Manager Weller added that the next meeting has been scheduled for April 13 with Commissioners Kroupa and Cia's planning to attend.

Commissioner Cia's:

1. Attended the meeting at the Wauconda Hall.
2. Attended the Kinross Mine meeting at the Eagle Cliff Grange.

Commissioner Caudell:

1. Attended an Ethics and Accountability workshop which was presented by an NWPPA Attorney.
2. The OMB proposal to use the B.P.A. surplus funding has been strongly opposed. Visited at length with Senator Cantwell and the Chairman of the Senate Energy Committee about the issue. This administration is looking under every rock for any source of revenue and B.P.A. is a source.
3. Is a member of a WPUA ad hoc steering committee to develop PAN or the Political Action Network. PAN will be fashioned after People Power.
4. The new WPUA building continues to progress. A "green" building certification is desired and this may cost an additional \$300,000. At the present time the building is budgeted at a gold level of certification. There may be solar panels available through Energy Northwest from their White Bluffs project.
5. WPUA will be putting together a workshop to explain SLICE. If the proposed changes are implemented, utilities would have the opportunity to manage their own portfolios rather than B.P.A. with this accomplished through rate hearings. The B.P.A. power side would no longer exist and small utilities such as Ferry, would be pooled and the Treasury payment issue would disappear with additional costs rolled into the rates. B.P.A. is to provide information regarding the Regional

Dialogue and provide direction to utilities. One of their recommendations is expected to be the relinquishment of residential exchange rights which should require a congressional mandate as these rights are granted through a Statute.

6. Will participate in a WPUDA strategic retreat June 7 and 8.

The possibility of our Utility gathering information from NRU's John Saven regarding the SLICE matter was discussed. Mr. Saven's information should be more pertinent to full requirements utilities such as ours.

7. The new public utilities regulatory policies have just been passed by the Governor. This will provide Washington State standards for public utilities.

8. The APPA rally in Washington DC was very successful. Had the opportunity to talk with both Senators Murray and Cantwell's Aides regarding telecommunications for rural areas. There are a few proposed changes to the Telecom Act that may or may not take effect this year. The Act does sunset this year as well and will not be addressed in any significant form. Dan Peterson, *who is a Pend Oreille P.U.D. Commissioner*, was invited to testify at an OMB hearing to explain why the proposal is a problem for western utilities. His presentation was made before Representative McMorris and that Energy and Natural Resources Subcommittee. Utilities are also being encouraged to show the cost of the Endangered Species Act on their billings.

9. The WPUDA Water Tour has been scheduled for April 10 through 13.

Commissioner Kroupa:

3. Has filed the PDC F1a Form.

4. May be running for an Energy NW position and the upcoming elections were discussed.

The Manager's Report was presented by Roberta Weller:

Correspondence:

1. The Utility's rebate from Federated Insurance in the amount of \$460 has been received. This was an increase over the \$399 received in 2005.
2. A letter has been received regarding Ferry County Pride Month. The Utility has been given the opportunity to help sponsor this event. In past years, the Utility has participated in the Conservation Fair and offered a basket of conservation related items as a raffle. The Board was in concurrence that the Utility would continue to support by participating in the Fair.
3. The annual membership notification letter has been received from the Republic Chamber of Commerce. The Board was in concurrence that the Utility would again become a member.
4. A letter has been received regarding the 2006 Curlew Senior Party. The Board was in concurrence that the Utility could support in the amount of \$50.
5. A thank-you letter has been received from PPC for our payment of our 2006 assessment.
6. A Conservation Connection Newsletter has been received. It explains the annual spring events and the Conservation Fair.
7. Digital Documents, a new business in Republic, has provided information on the services that it can provide.
8. B.P.A.'s 2005 Annual Report is now available.

Meetings:

1. Will be at Douglas County P.U.D. March 22 and 23 for the purpose of interviewing individuals for the CWPU Attorney position.
2. The annual Lake Roosevelt Forum will be held on April 17 through 19 at the Davenport Hotel in Spokane, WA.
3. Reservations for the NWPPA Annual Meeting have been made. Registration forms have been changed and spouses must now be registered separately. It is not possible for the Utility to cover this expense.

General Business:

1. Information has been received from WPUDA advising that they will now be sending information directly to Commissioners regarding meetings, meeting registration, etc. Historically, the Utility has completed the meeting registration and made lodging reservations. The Board was in concurrence that this information should continue to come to the Utility and be handled as always.
2. Have contacted other RUS Borrower utilities to obtain information regarding their process for having a load forecast completed. All have indicated that they use the engineering firms that they use for other engineering work as they are familiar with the systems. As an RUS borrower, a long range forecast is to be completed on a five year cycle with the forecast going out for a ten-year period. It is now recommended that the forecast be for a fifteen-year period. A copy of the most recent forecast will be provided to the Board.
3. The possibility of the Utility purchasing the B.P.A. substations was discussed. This has not been a cost-effective option in the past as B.P.A. services the substations. Manager Weller will contact Power Engineers to obtain a current cost analysis for such a purchase.
4. At the present time, the Utility bills the Ferry County Sheriff's Office and the Ferry County Public Works Department for the space they occupy in our radio building on Klondike Mountain. The installation of the new facilities on Franson Peak will result in the Utility occupying a portion of the County's building. It has been proposed to the County Commissioners that some type of agreement be reached whereby the Utility ceases to bill for its facility on Klondike Mountain if the County does not bill the Utility for its portion of the Franson Peak facility. The County Commissioners have developed an Interlocal Agreement for this purpose. This document has been reviewed by the Utility's Attorney and has been found to be acceptable. Resolution Number 06-03 "A Resolution Waiving Use Fees for Radio Communication Site" was presented and approved by a motion made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously carried.
5. Resolution Number 06-04 "A Resolution Authorizing Application for CERB-JDF Grant" was presented and approved by a motion made by Commissioner Caudell, seconded by Commissioner

- Kroupa and unanimously carried.
6. Information is being gathered for the Buckhorn CAB meetings.
 7. Chuck Berrie, Okanogan County P.U.D. Manager, has spoken with Manager Weller regarding the annexation boundaries. He asked that the Board consider his offer to meet with them to discuss their proposals. He stressed again that they want to see Ferry P.U.D. made whole. A discussion followed which included Okanogan's opportunity to generate additional revenue from the sale of unused power obtained for the purpose of the Buckhorn Mine, the effect this proposal would have on our consumers, and unwritten promises.

Commissioner Caudell interjected that Chelan County P.U.D. Commissioner Ann Congdon spoke to him regarding Chelan's reputation and interaction with other utilities. There is an interest among their Board to improve this situation.

8. Attended a hospital pool meeting. The Hospital Administrator has identified funding for an architect with a background in pools and work is being done to apply for the funding. They are looking to the Utility for some type of co-generation facility to heat the facility. A site is being sought near the Hospital.
9. March 23 is the last day to receive applications in response to the advertisement for the new pole testing position. It is hoped that all interviews will be completed the following week with the individual to begin work April 3.
10. An article published in the Okanogan Chronicle regarding the Okanogan County P.U.D. was briefly discussed.
11. A Certificate of Completion for the Apprenticeship Program has just been received for Lineman Bill Knutz. Mr. Knutz completed his training in 2002.

The meeting recessed briefly at 3:50 p.m., reconvening at 4:00 p.m.

The Treasurer's Report was presented by Jayne Jurgensen:

1. Operating Funds available as of March 10, 2006 were \$1,748,824.62 with restricted funds of \$1,447,081.51. There were nine outages in the month of February for a year-to-date total of twenty-four compared to ten for the same period in 2005. The Revolving Loan/Grant Fund and the High Cost Grant repayment reports were reviewed. Commissioner Caudell recommended that the APPA website be utilized to determine pole contact fees. A brief update on the credit card processing was presented.

The Auditor's Report was presented by Jennine Groth:

1. The voucher listing was reviewed with the Board and questions answered. The Board approved Payroll Warrants Number 008839 through 008856 in the amount of \$42,983.99 and 008857 through 008878 in the amount of \$41,716.80 and G&O Warrants Numbers 23127 through 23230 in the amount of \$136,017.85 by motion made by Commissioner Kroupa, seconded by Commissioner Caudell and unanimously carried.
2. The Financial and Statistical Report was reviewed by the Board.
3. The D. Hittle report was presented.

Commissioner Caudell questioned whether the Utility has been identifying the *proposed B.P.A. Fish CRAC* on the bills.

Manager Weller reported that Kinross Gold has notified the Utility that our work will be held up for a period of time. They are now anticipating start-up in July 2007.

Lobbying: None

With no further business to come before the Board, the meeting adjourned at 4:45 p.m.

BOARD OF COMMISSIONERS
PUBLIC UTILITY DISTRICT NO. ONE
FERRY COUNTY, WASHINGTON

President

ATTEST:

Vice-President

Secretary

APPROVED:

Manager